

USAID/Zimbabwe

Annual Report

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Zimbabwe

Performance:

Background: Zimbabwe is now in its fifth consecutive year of severe economic contraction, precipitated by a political crisis that has embroiled the country since 1997. The structural reforms undertaken in the 1990s have been reversed by a phased return to controls and a command economy. The combined effect of the political and economic crises is aggravating an already worrying social context. Zimbabwe's hopes for economic recovery lie with a comprehensive approach that includes the restoration of the rule of law and the reintroduction of sound monetary and fiscal policies. The protracted impasse in Zimbabwe's political arena is setting up the country for a prolonged recovery process.

Zimbabwe's economic indicators have worsened over the past year and the outlook is bleak. Gross Domestic Product (GDP) is set to decline by a record high 13.2% in 2003; the foreign currency shortage remains critical, largely as a result of poor export performance (minus 11.3 % growth in 2002), the suspension of international balance of payments support, and the drying up of international lines of credit (foreign currency earnings declined from US\$2.2 billion in 2000, to US\$1.3 billion in 2002, and are estimated at only US\$200 million for 2003); a loose monetary policy and an artificially high official exchange rate (Z\$824/US\$1) have increased pressure on the value of the local currency with the parallel market rate for the currency currently at Z\$6,000/US\$; at a conservative 525%, Zimbabwe's inflation is the highest in the world this year; external arrears are in excess of US\$1.9 billion; government domestic debt is currently at Z\$600 billion (US\$728 million); and most of 2003 was characterized by widespread shortages of local currency notes, fuel, electricity and basic commodities. More than 70% of the country's population lives below the poverty datum line. The country faces severe food shortages and the World Food Program estimates that 5.5 million Zimbabweans are in need of humanitarian assistance. The Government of Zimbabwe has neither funds nor credit to secure the required food or other essential imports.

In June 2003, the International Monetary Fund (IMF) stripped Zimbabwe of key voting and administration rights due to its arrears of more than US\$305 million. In the first week of December, the IMF began formal proceedings to terminate Zimbabwe's membership. Although Zimbabwe has had no support from the multilateral institution for the past four years, alienation from such a high-profile institution as the IMF heightened and worsened Zimbabwe's image as a risky destination for lending and foreign direct investment.

Zimbabwe's once robust social services are collapsing in the face of the economic crisis, the HIV/AIDS epidemic, an inadequate supply of drugs and an alarmingly high brain-drain. Zimbabwe has one of the highest HIV/AIDS prevalence rates in the world at 24.6% of the adult population; an estimated 3,290 people die from AIDS every week; life expectancy has dropped from 61 years in 1990 to 34 years in 2002; the infant mortality rate has increased from 53 per 1,000 in the 1990s to 76 per 1,000 in 2002; the under-five mortality rate has increased from 80 to 123 per 1,000 over the same period. One of the most serious effects of HIV/AIDS has been on the number of orphans, now estimated at 800,000.

Zimbabwe's political environment during 2003 was characterized by a stalemate between the ruling party (ZANU-PF) and the opposition Movement for Democratic Change (MDC). Despite a number of efforts by local and international players to broker negotiations between the two parties, the political impasse has not been resolved. Orchestrated efforts by the state to restrict opportunities for political participation and dialogue were epitomized by continuing violence against the opposition and its perceived supporters, and government closure of the nation's only independent daily newspaper. Those elections that were held in 2003 were conducted in an environment of state-sponsored violence and intimidation. The line between party and state in Zimbabwe remains blurred, with political interference in the judiciary, police force and

civil service rife.

A significant positive development over the past year is that there is now widespread public acknowledgement, across the political divide, that the country's economic implosion cannot be arrested absent resolution of the underlying political crisis. Unfortunately for the country's majority, however, polarization, factionalism and the lack of incentives for change amongst those benefiting from the current economic distortions have resulted in political paralysis, preventing forward movement on interparty dialogue.

Zimbabwe has withdrawn from the Commonwealth in the wake of its continued suspension from this body and the leadership of the ruling party is still subject to travel restrictions imposed by the United States Government and the European Union, based on the unfree and unfair organization of the March 2002 Presidential Elections that were condemned by most international observers as neither free nor fair.

U.S. Interests and Goals: Zimbabwe is a strategic country for the United States because events in Zimbabwe have a significant impact on the entire southern Africa region. The U.S. Government's principal national interests in the country are to: 1) prevent a further deterioration of the political and economic situation, and the consequent detrimental impact on the region; 2) strengthen the prospects for stability by fortifying civil society and democratic institutions; 3) implement an effective response to the catastrophic HIV/AIDS pandemic; and 4) mount an effective response to the complex humanitarian crisis.

USAID/Zimbabwe's crisis prevention/mitigation program, as set forth in its Country Strategic Plan for 2000-2005, employs a "scenario-based" approach. This strategy identifies four scenarios (progress, now, breakdown and chaos), indicators to determine when a scenario is reached, and appropriate USAID activities for each scenario. This approach has allowed the mission to be responsive to Zimbabwe's changing economic, political and social environment. Based on the identified indicators, the Plan's "breakdown" scenario is still applicable, although some economic indicators point to an increasingly deteriorating situation moving towards the "chaos" scenario. These economic indicators for the "chaos" scenario are: 1) financial sector and economic 'meltdown', as evidenced by hyperinflation, parallel currency markets, massive enterprise closedowns, and multinational pullouts; 2) supply distribution systems crash, leading to severe shortages and exchange via barter and hard currency; and 3) public services shutdown, with ministries becoming dysfunctional, infrastructure maintenance ceasing, and health care services becoming a luxury for the elite.

The mission will continue to stay abreast of this evolving situation and keep USAID/Washington informed through its official reporting.

The USAID program remains focused on Zimbabwe's four interrelated crises: humanitarian, HIV/AIDS, economic, and political. Regarding the humanitarian crisis, the U.S. Government has provided approximately 380,000 metric tons of food since the beginning of the crisis in 2002 (valued at US\$235 million) that was distributed through the World Food Program and NGOs. The U.S. Government has provided US\$10 million worth of non-food assistance to Zimbabwe since 2002. The provision and monitoring of humanitarian assistance will continue to be a principal focus of the USAID program in Zimbabwe for the foreseeable future, demanding intense staff time, although these resources are not included in the Mission's OYB.

USAID's humanitarian assistance efforts are only a part of the USAID assistance program to Zimbabwe that seeks to respond to the fundamental causes of the nation's crises. USAID's two Strategic Objectives (SOs) and one Special Objective (SpO) are designed to respond to the HIV/AIDS, political and economic crises afflicting Zimbabwe. These are, respectively: 1) mitigating the HIV/AIDS pandemic (the "HIV/AIDS SO"); 2) increasing the dialogue and responsiveness between the citizenry and selected government institutions, especially Parliament and local authorities (the "Participation SO"); and 3) enhancing access of the most disadvantaged groups to income-generating opportunities through the provision of micro-finance and related business and technical support services (the "Economic Opportunities SpO").

Forty-seven percent of USAID/Zimbabwe's partner civil society organizations (CSOs) under the

"Participation SO" specifically address advocacy issues of concern to women and other minority groups. The SpO is principally focused in rural and peri-urban areas, with special emphasis on HIV/AIDS-infected and affected persons. All of USAID's assistance is being provided through a variety of local, U.S. and international contractors and NGOs, and the United Nations agencies, consistent with current Congressional (Brooke-Alexander Amendment) and Executive Branch restrictions on direct assistance to the Government of Zimbabwe.

Other Donors and Relations: In addition to the United States, the major non-food aid donors are: the European Union (governance, social services, agricultural recovery and environment); the United Kingdom (AIDS/health, agriculture recovery); Japan (environment, self help, AIDS/reproductive health, education, infrastructure, agriculture and private sector); and Sweden (HIV/AIDS and democracy/human rights). Implementing smaller programs are the Netherlands (governance and HIV/AIDS) and Norway (DG, health and education, although their program is now in abeyance). Germany (once a major donor) and Denmark have both withdrawn their development assistance programs since the March 2002 Presidential elections. Food and other humanitarian assistance is being provided directly or indirectly by all of the above, plus: Australia, Austria, Denmark, Finland, France, Germany, Norway, South Africa, South Korea, Switzerland, African Development Bank, and the UN agencies.

The IMF and World Bank programs remain frozen due to poor performance, breakdown in the rule of law, and failure to repay arrears. The Bank's role is largely limited to analytical work, but the Bank is now actively exploring options to remain engaged in Zimbabwe, using small amounts of grant assistance, through its new program, entitled "Low-Income Countries Under Stress." A resumption of disbursements is contingent on clearance of arrears.

All but one major bilateral donor have stopped government-to-government assistance, opting instead to channel their aid through NGOs. The UN family of agencies remains active in Zimbabwe in several sectors (AIDS/health, education, environment and governance). Donor coordination is excellent, especially with respect to the emergency food and humanitarian assistance programs. USAID, in conjunction with CDC, leads the coordination of HIV/AIDS activities in country, and participates actively in other donor coordination groups.

Challenges: The deteriorating economic environment has presented complex challenges to the USAID program. Widespread shortages of fuel, cash and even food generally delayed project implementation, as USAID staff and our partners were forced to devote considerable time and effort to obtaining these items. All implementing partners showed immense creativity in addressing these obstacles, but if the economic crisis continues unabated it may have a significant negative impact on program accomplishments.

The stigma and silence that surrounds the HIV pandemic and the absence of sustained and focused leadership seriously impair prevention and mitigation efforts. The Zimbabwe health system, once a showpiece for Africa, is now debilitated by the economic decline and loss of human capacity, either through 'brain-drain' or AIDS-related illnesses and deaths. Along with nation-wide shortages of basic commodities, both public and private health-care facilities are experiencing persistent shortages of essential drugs due to limited foreign exchange and the rapid devaluation of the local currency. Because of the Mission's comparative advantage in the HIV/AIDS sector, we have launched a series of new activities in our effort to respond to the challenges impairing progress against the disease. These include adding a second partner to implement the orphans-care program; a new activity to support the initiation and roll out of a nation-wide program to provide antiretroviral therapy to the AIDS infected; a new activity to ensure the reliable supply of public sector condoms; a new activity to support the nation-wide provision of services for the prevention of mother to child transmission (PMTCT) of HIV; and a new initiative to reduce HIV/AIDS stigma and strengthen leadership through supporting the advocacy of church groups/leaders and civil society organizations.

The significant fall in agricultural production by 12% in 2001, 22% in 2002 and an estimated 40% in 2003, has created increased food security demands as more people fall below the poverty datum line. In response, USAID made a strategic shift to concentrate on activities addressing food security for a

growing number of vulnerable households. Specifically, we have focused our SpO on assisting families to: grow vegetables in household gardens for consumption and/or for sale; produce drought-tolerant crops; and adopt edible cash crops that bring both food security and income-generating potential.

Key Achievements: Despite Zimbabwe's worsening environment, the Mission's program made significant progress towards achieving its objectives. However, the economic crisis coupled with severe budget constraints makes progress in the future more uncertain. Following are the major achievements at the SO level:

The Participation SO: Civil Society Organizations (CSOs) funded by the Mission continued to achieve results, despite harsh economic conditions and severe political intimidation. Fourteen of the Mission's 15 CSOs had systematic engagement with Parliament, and Parliament formally appointed staff from five CSOs as short-term experts for relevant Parliamentary portfolio committees. Five CSOs succeeded in having issues they identified raised in motions passed in Parliament, or having their respective issue put on the work plan for the coming session. More importantly, CSOs indicated a substantial increase in Parliament's valid engagement with their organizations. Seven of the 15 CSOs represented women or marginalized communities.

An assessment by Members of Parliament of the quality of CSO input to the legislative process showed a marked improvement over last year. The number of committee meetings open to citizens and citizen groups in 2003 was 35, compared to a target of 10, which suggests a substantial increase in opportunities for public participation afforded citizens, their organizations and the media. Parliament itself began to exert its influence on legislation by submitting to the Executive Branch numerous proposed amendments to bills; committees amended or returned to ministries for revision 30% of bills this year.

Nationwide urban council elections in August 2003 resulted in a majority of new mayors and councilors, with 85% and 51%, respectively, from the opposition MDC. USAID/Zimbabwe's program moved quickly to support training for these new officers and to form linkages between them and the mayors and councilors who were trained under the Mission's pilot program. The program trained 167 mayors and councilors (out of 340) in modern management practices, which included citizen participation in budgeting, roles and responsibilities in local authority management, the legal framework, stakeholder consultation skills, and conducting effective meetings.

The HIV/AIDS SO: The program exceeded its targets with respect to beneficiaries of its various activities: access to quality HIV voluntary counseling and testing (VCT) services, sales of contraceptives and condoms, and support to orphans and vulnerable children (OVC). The number of clients who accessed VCT services in 2003 increased by 72% over 2002. The VCT program expanded to peri-urban and rural communities through mobile VCT services. Mobile VCT grew from 20 mobile visits in 2002 to over 80 in 2003, and the number of people counseled and tested rose from less than 2,500 to over 11,500. With USAID funding, 105,240 OVC received care and support, surpassing the target of 83,000. The number of socially-marketed male condoms and female condoms increased by 62% and 37.4%, respectively. A USAID-funded TV soap opera, Studio 263, entertained and educated over 2.5 million viewers every weekday, and is now the most popular TV show in Zimbabwe. The Mission also supported the development of a health-site-readiness tool for initiating antiretroviral therapy (ART), and developed a strategy for an integrated USAID/CDC program to support initiation and scale-up of ART services nationally.

The Economic Opportunities SpO: The program exceeded its targets, in spite of the prevailing economic conditions. A total of 70,021 households benefited from the program in 2003 compared to 18,049 households in 2002, representing a 288% increase. The program provided a total of 141,210 non-financial services to marginalized groups in Zimbabwe. This was a 380 percent increase over the 29,392 non-financial services provided in 2002. The program successfully shifted its strategic focus to concentrate on activities that both address food security and provide increased income to the rural poor.

Country Close and Graduation:

Results Framework

613-001 Natural resources management strengthened for sustainable development of CAMPFIRE communities

613-002 Broadened Ownership in a Growing Economy

613-008 Enhanced citizens' participation in economic and political decision-making

SO Level Indicator(s):

CSO perceptions of valid engagement with Parliament on issues relevant to their concerns

Local CSO perceptions of valid engagement with local authorities on issues relevant to their concerns

Number of Parliamentary Committees meetings in which CSOs are involved in a substantial interchange

IR 1 Improved Civil Society Organization's Representation of Citizens' Interests at National and Local Levels

IR 2 More Effective and Accessible Selected National Government Institution (Parliament)

IR 3 Local Authorities More Capable and Open to Local Citizen Input

613-009 HIV/AIDS Crisis Mitigated

SO Level Indicator(s):

HIV Prevalence in 15-19 Age Cohort

Number of individuals with advanced HIV infection receiving antiretroviral therapy

Percentage of Zimbabwe's Orphans and Vulnerable Children Reached with Care and Support

IR 1 Reduced high-risk sexual behaviors

IR 2 Enhanced capacity to formulate, advocate and implement improved HIV policies

IR 3 Increased care and support for OVC and others infected with HIV

613-010 Access to Economic Opportunities for Disadvantaged Groups Expanded

SO Level Indicator(s):

Number of HIV/AIDS households participating in economic interventions

Number of households participating in economic interventions

IR 1 Access to Financial Services Increased

IR 2 Micro-Business Capacity Improved

IR 3 Rural Incomes and Food Security Increased

SpFA 1 Adverse Economic Impact of HIV/AIDS Mitigated